

United Way of the Capital Region and
The PNC Foundation

Foreclosure Prevention Resource Guide

Summer 2009



For more information, contact United Way
of the Capital Region at 717.732.0700.



Table of Contents

Introduction	3
Understanding the Mortgage Foreclosure Process	4
Mortgage Foreclosure	5-7
Preventing Foreclosure	7-8
About Credit Scores	8-9
Commonly Asked Questions	10-12
Homeowner's Emergency Mortgage Assistance Program (HEMAP)	
Homeowners' Equity Recovery Loan Program (HERO)	
Refinance to an Affordable Loan (REAL) Program	
Bankruptcy	
Resource Contact List	13-15

Thanks and Acknowledgements to:

PNC Foundation for providing the funding for this guide.

Edward G. Sakalosky for researching, writing and developing the guide, and the following sources:

- *J.R. Lotwick, Sheriff of Dauphin County, Harrisburg, PA.*
- *Mid-Penn Legal Services, Harrisburg, PA.*
- *Pennsylvania Housing Finance Agency, Harrisburg, PA.*
- *Stephen Scanlon, Regional Housing Coordinator, Center for Independent Living of Central PA.*
- *U.S. Department of Housing & Urban Development, Washington, DC.*
- *William Bunt, Esq., New Bloomfield, PA.*

Introduction

A home is generally the largest investment purchase a family will make. It's an important element in providing a stable, safe environment for a family. Yet, there are times when unexpected and unforeseen circumstances make it difficult to continue making regular mortgage payments. When this happens, the foreclosure process can begin.

Being in danger of losing a home is an emotional and stressful situation for any family. In addition to the worries about losing a home, the circumstances that brought on financial difficulties must also be considered. During emotional times, it's often difficult to carry on with day-to-day activities, and it's not unusual to put things on the back burner. Many individuals also find it difficult or even embarrassing to talk about the situation or seek help.

Unfortunately, in a situation where foreclosure is imminent or has begun, it's critically important to try to deal with the issues at hand as soon as possible. Many homeowners are not aware of the programs and services that might be available to them or even where to start.

United Way of the Capital Region (UWCR) has identified family financial stability as a priority issue. This guide was developed specifically to explain the foreclosure process, raise awareness of grant and loan programs, as well as housing counseling resources in the Capital Region. We hope this guide helps homeowners facing foreclosure take advantage of opportunities available in our community and preserve ownership of their homes.

While this document represents our updated research, UWCR cannot guarantee the accuracy or timeliness of the information. The law changes often and each case is different. The intent of this guide is not to provide legal advice, but to provide general information and resources to help homeowners obtain professional advice and make the best possible decision for their specific circumstances.

Understanding the Mortgage Foreclosure Process

This chart is meant to give you an idea of what happens if **you don't do anything** to stop the foreclosure. The chart shows the *shortest* amount of time that can pass between each step. At each step, there are actions you can take to defend against foreclosure that will also result in extending the timeline below.

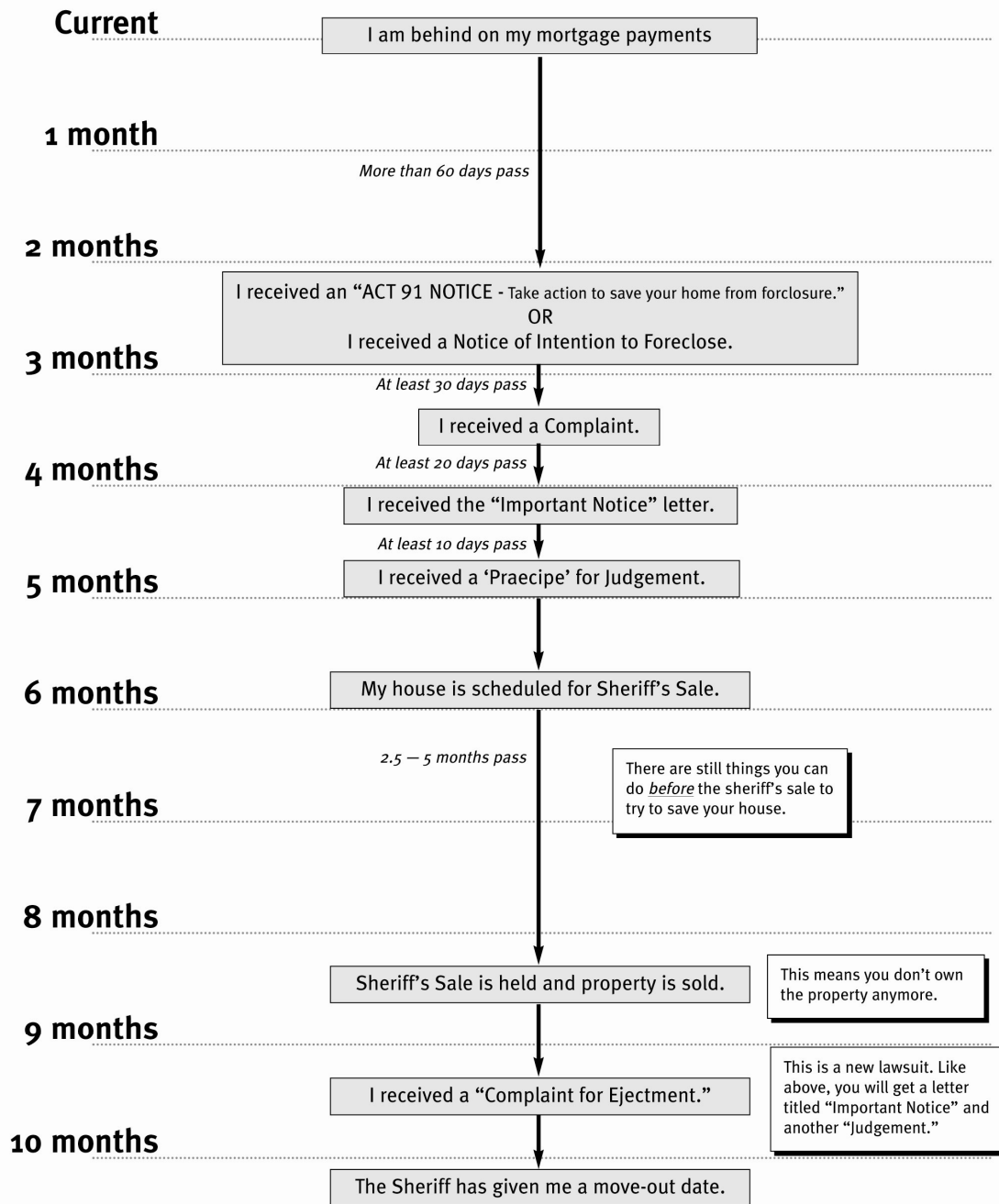


Chart provided by the Greater Philadelphia Urban Affairs Coalition

Mortgage Foreclosure

What is a mortgage?

A mortgage is the exchange of real property (land and improvements) as security for a loan with which to purchase it. A mortgage is a contract obligation, so the purchaser (homeowner) has a duty to pay the mortgage even if the lender has transferred the title to the property elsewhere.

Foreclosure Process

Mortgage foreclosure is a process where a property is taken back by the lender because the borrower (homeowner) is behind on monthly payments or has not lived up to the terms of the loan. This is a legal process that is started by the lender.

Mortgage foreclosure cases begin when the homeowner fails to pay the lender the monthly payments outlined in the loan agreement. The lender, or mortgage holder, sues the non-paying homeowner. However, before initiating any law suit, the lender is required to follow a number of procedures. These procedures begin with proper notification.

Notifications

The lender formally begins the foreclosure process by sending notification in writing to the homeowner. The lender will mail this notification to the homeowner's last known address.

When the loan is 30 days past-due, the lender may send an "Act 91 Notice." This alerts the homeowner that the loan is late and they must take action to stop the lender from starting a foreclosure proceeding.

Once the loan is 60 days past due, the homeowner will receive an "Act 6 Notice," which is also known as a "Notice of Intention to Foreclose."

Both notices should contain the following information:

1. Identity of the owner and the property address.
2. The reason why the bank is initiating the foreclosure; in most cases the reason is failure to pay.
3. Information about the homeowner's right to stop the proceeding by bringing their payments up to date. This is also called the "right to cure default."
4. Specific instructions on how the homeowner can bring their payments up-to-date. In many cases this may require a trip to a specific bank location rather than simply mailing a check.
5. Amount of time the homeowner has to bring loan payments up-to-date.

6. Steps the bank plans to take to repossess the property if the homeowner is not able to bring payment up-to-date.
7. Any rights the homeowner may or may not have to sell or transfer the property to another individual.
8. Any rights the homeowner may have to refinance the debt.
9. Any rights the homeowner may or may not have to transfer the mortgage to someone else to settle the debt.
10. In addition, the lender must also provide information to the homeowner about the Homeowner's Emergency Mortgage Assistance Program (HEMAP). This is part of the Act 91 requirements the lender is obligated to provide.

What is HEMAP?

HEMAP is an emergency loan program designed to help homeowners who, through no fault of their own, cannot pay their mortgage but have a reasonable prospect of being able to make their mortgage payments within a three year period. HEMAP is one of the best resources available to help homeowners facing foreclosure.

HEMAP Eligibility Requirements:

The property must be a one or two family dwelling that is occupied by the borrower (or homeowner) and secured by a mortgage. It must be the borrower's principal place of residence (not place of business) and located in Pennsylvania.

Eligibility requirements of the homeowner include:

1. The mortgage may not be more than 36 months delinquent.
2. The homeowner must be a permanent resident of Pennsylvania.
3. The homeowner must have a good credit history for the past five years.
4. The homeowner must be able to demonstrate hardship(s) beyond their control. Some examples of this would be loss of income, medical expenses, etc.
5. The homeowner must show they have a good chance of being able to resume full mortgage payments within 36 months.

Once the homeowner has received the Act 91 Notice, the homeowner is strongly advised to make an appointment with a foreclosure counselor at a consumer credit counseling agency. Many banks and non-profit agencies provide these services at no charge, and the Act 91 Notice should include a list of local agencies that provide these services. If desired, the homeowner may seek the advice of a lawyer at their own expense.

Foreclosure counselors and attorneys can advise you of your rights. They will do this by reviewing all paperwork related to the foreclosure and will help you determine a course of action based on your circumstances. It is important to keep all paperwork relating to the foreclosure so that you can make decisions based on timely and accurate information. This paperwork should also be taken with you to any credit counseling

sessions so you can be given the best professional advice appropriate for your circumstances.

If the homeowner chooses to use the services of a consumer credit counseling agency, the homeowner must notify the lender within five business days of that meeting. This is an important step and in the homeowner's best interest. Once the lender receives this information, they are not permitted to seek legal action for a period of 30 days after the meeting.

Once the homeowner decides upon a course of action, the credit counselor can contact the lender on his/her behalf. Also, the credit counselor can guide the homeowner through the application process and identify programs in which he/she is eligible.

Preventing Foreclosure

The Pennsylvania Legal Aid Network, Inc. provides the following tips on how to prevent foreclosure:

What should I do if I am having trouble paying my mortgage?

If you are having trouble making your mortgage payment, here are some steps you should take.

1. ***Communicate with the bank or mortgage company.*** Tell them why you are having financial problems and when you expect your financial situation to improve. Ask about a "workout" – this is a temporary or permanent change to your mortgage terms. Whatever payments you agree to make, be sure that you are able to make them. Keep detailed notes with the names of the persons you talked to and the terms you discussed.
2. ***Ask about refinancing.*** Sometimes you can get a lower interest rate or reduced payments by refinancing your mortgage. You are more likely to qualify for refinancing if you arrange for it before you have missed many mortgage payments, so the sooner you look into it, the better. Watch out for high-rate lenders that promise consolidation loans to help you avoid foreclosure. In many cases this only makes things worse. Be suspicious of any company that calls you, writes you, or puts advertisements in the newspaper promising to help save you money. Seek help as soon as possible from a qualified housing counselor. See the Resource Contact List beginning on Page 13.
3. ***Go through your budget carefully.*** Are there expenses you can eliminate? Are there ways you can increase your income? Many community agencies have people who can help you work out a sensible household budget.

4. *Give first priority to the bills necessary to keep your job, your home and food on the table.* Don't let bill collectors pressure you to make payments you can't afford on lower priority bills.
5. *Ask yourself whether you can afford to keep your house in the long term.* If the answer is no, consider listing the house for sale with a real estate agent. You may be able to buy a less expensive home with the money you get. Also, selling the home is much better for your credit record than going into foreclosure.
6. *If you feel the lender cheated you or took advantage of you, start with a review by a housing counselor as soon as possible.*
7. *Open and read your mail promptly.* The lender will be sending you important notices about your legal rights and sources of help. Seek professional assistance immediately if you get any foreclosure paper from a court or a sheriff or process server.

About Credit Scores

What is a credit score?

A credit score is a number that helps lenders and others predict how likely you are to make your credit payments on time. Each score is based on the information in your credit report.

Why does your credit score matter?

Credit scores affect whether you can get credit and what you pay for credit cards, auto loans, mortgages and other kinds of credit. For most kinds of credit scores, higher scores mean you are more likely to be approved and pay a lower interest rate on new credit.

Want to rent an apartment? Without good scores, your apartment application may be turned down by the landlord. Your scores also may determine how big a deposit you will have to pay for telephone, electricity or natural gas service.

Lenders look at your scores all the time. They look at your scores when deciding, for example, whether to change your interest rate or credit limit on a credit card, or whether to send you an offer through the mail. Having good credit scores makes your financial dealings a lot easier and can save you money in lower interest rates. That's why they are a vital part of your financial health.

What is a good score?

When lenders talk about your “score,” they usually mean the FICO® score developed by Fair Isaac Corporation. It is today’s most commonly used scoring system. FICO scores range from 300-850, and most people score in the 600s and 700s (higher FICO scores are better). Lenders buy your FICO score from three national credit reporting agencies (also called credit bureaus): Equifax, Experian and TransUnion.

In the eyes of most lenders, FICO credit scores above 700 are very good and a sign of good financial health. FICO scores below 600 indicate high risk to lenders and could lead lenders to charge you much higher rates or turn down your credit application.

Not just one score

There are many types of credit scores. They are developed by independent companies, credit reporting agencies, and even some lenders. As a rule, the higher the score, the better.

- *Each credit reporting agency calculates your score* and each score may be different because the credit history each agency has about you may be different. Lenders may make a credit card or auto loan decision based on a single agency's score, although others such as mortgage lenders often will look at all three scores.
- *Your credit score changes* when your information changes at that credit reporting agency. This is good news! It means you can improve a poor score over time by improving how you handle credit.
- *Many insurance companies use something similar* when setting your insurance rates, called a “credit-based insurance score.” You may be able to improve your insurance score by improving how you handle credit, which in turn may lower your premium payments on auto or homeowners insurance.
- *Some credit scores offered to consumers are just estimates* and are different from the credit risk scores lenders actually use, although they may appear similar. Consumer reporting agencies and other companies sometimes use an estimated score to illustrate a consumer's general level of credit risk. How might you tell whether a score is estimated? Ask the company if the score is used by most lenders. If it isn't, it is likely to be an estimated score.

Commonly Asked Questions

Are there agencies that can help me catch up on my payments?

Yes, there are resources that may be able to help you.

The Pennsylvania Housing and Finance Authority (PHFA) offer HEMAP (see Page 6) to help people catch up on their mortgage payments. If you qualify, the program can pay the bank or mortgage company the amount necessary to catch up on your mortgage.

The program can also help you make your mortgage payments going forward. The total amount of assistance (amount past due and monthly payments) can not exceed 24 months (36 months in times of high unemployment).

HEMAP money is treated as a loan, and you will have to make payments on it of \$25 per month or more, depending on your income and housing expenses. When you sell your home or finish paying off your mortgage, the balance owed on your HEMAP loan will have to be paid.

To qualify for the program, you must be suffering financial hardship due to circumstances beyond your control, and you must have a reasonable chance of beginning full mortgage payments again before the 24 months of assistance runs out (36 months in times of high unemployment).

To find out if you qualify for this program, contact PHFA and speak with a HEMAP Loan Program Specialist at 1.800.822.1174, or visit their Web site at www.phfa.org/consumers/homeowners/hemap.aspx.

Are there other programs to stop foreclosure?

Yes. HERO (Homeowners' Equity Recovery Loan Program) may also help if you are not able to keep up with your current mortgage. With this program, you could actually receive a new, fixed-rate loan for up to 30 years. To qualify for this state program, you must have enough income to be able to make regular monthly payments on the loan, and you must live in the home as your permanent residence. The payments will be withdrawn directly from your bank account.

To find out if you qualify for this program, contact PHFA and speak with a HERO Loan Program Specialist at 1.800.822.1174, or visit their Web site at www.phfa.org/consumers/homeowners/real.aspx.

Another alternative is the Refinance to an Affordable Loan (REAL) Program made available through PHFA. This program offers attractive 30 year fixed-rate home loans. Because it combines 100 percent financing with flexible credit underwriting, it may offer

relief to homeowners who otherwise may not qualify for typical mortgage refinance programs.

Eligibility guidelines for this program are that the combined gross annual income of all borrowers may not exceed \$120,000. The borrower must also reside in the mortgaged property and may not be more than 59 days past due on the existing mortgage at the time of application. This program is limited to Pennsylvania residents.

Homeowners must also have a credit score of at least 620 OR meet the following conditions:

- Your mortgage payment adjusted in the last 12 months to a higher interest rate or a fully amortized payment, and you have no more than two, 30 day late payments since the adjustment. Your mortgage payment history in the 12 months prior to the adjustment must show no history of late payments.
- Your credit history of other debt (car loan, credit cards, etc.) shows no more than three, 30 day late payments in the 12 months prior to the adjustment of your mortgage.
- You may borrow up to 100 percent of your home's value based upon a current appraisal (or 95 percent for borrowers with a credit score below 620). The REAL loan may be used to finance items such as secondary mortgages (or home equity loan), closing costs, prepayment penalties, delinquent property taxes and other late payments that have occurred within the past 12 months after the loan was reset to a higher monthly payment amount.
- Your total monthly debt (credit cards, car loans, installment loans, REAL mortgage payments, student loans, etc.) may not be more than 50 percent of your total gross monthly income (or 45 percent with a credit score below 620).

If you meet the conditions above, contact a PHFA-participating REAL lender by calling PHFA's toll-free number at 1.800.822.1174.

Can I stop foreclosure by catching up on the payments?

Yes. As a general rule under Pennsylvania law, if you can catch up on the mortgage payments before the foreclosure sale actually occurs, the foreclosure has to stop. To stop the sale, you will also have to pay court costs and the lender's reasonable attorney's fees. Typically the court costs and attorney fees get much higher as the case goes on. If you want to exercise your right to stop the sale by catching up on the payments plus court costs and attorney fees, it is important to seek legal counsel to protect your rights and make sure you are paying the right amount.

What should I do if the bank or mortgage company won't accept my payments?

If you have fallen behind on your mortgage, some banks and mortgage companies won't accept any payments unless you catch up completely. If this happens, you should save your payments in a special account and consult an attorney and/or foreclosure counselor about your options.

Can I save my home by filing bankruptcy?

Yes. Bankruptcy may be a viable option for some homeowners. There are three different kinds of bankruptcy, Chapter 7, 11 and 13:

- Chapter 7 is liquidation and usually indicates a desire to terminate a business. This may or may not pertain to a homeowner.
- Chapter 11 is reorganization and provides the opportunity to restructure finances and remain in business. This is primarily for business owners.
- Chapter 13 is for individuals with a regular income who cannot pay their debts.

There are times when filing for bankruptcy could help save a home. A Chapter 13 bankruptcy can allow you to catch up on your mortgage over a three-to-five year period while you make your regular monthly mortgage payments. Either a Chapter 13 bankruptcy or a Chapter 7 bankruptcy can help you get rid of lower-priority debts so that you can focus on your mortgage and other essential bills.

When considering bankruptcy, it is important to be aware of the impact this will have on your credit as well as the cost and your ability to make future purchases. For example, insurance premiums and even interest rates may be higher for an individual or couple who have declared bankruptcy.

Remember, the law changes regularly and every case is different. This guide is to provide general information and not specific legal advice. Homeowners are strongly encouraged to seek professional advice prior to making a major decision, such as filing for bankruptcy.

How can I get my credit score?

It's easy now to get your credit scores to check your financial health. Different sources provide scores to consumers via the Internet, telephone or mail. Many companies offer one free credit report yearly and others may require a small fee. You will also be asked to prove your identity to make sure your financial information isn't given to the wrong person. See the Resource Contact List beginning on Page 13 for information on companies who provide credit scores.

Resource Contact List

Credit Reporting Agencies (fees for reports may apply)

Annual Credit Report Request Service
Phone: 1.877.322.8228 (toll-free)
Web site: www.annualcreditreport.com

Equifax
Phone: 1.800.685.1111 (toll-free)
Web site: www.equifax.com

Experian
Phone: 1.866.200.6020 (toll-free)
Web site: www.experian.com

Transunion
Phone: 1.800.888.4213 (toll-free)
Web site: www.transunion.com

HUD Approved Housing Counseling Agencies

CCCS of Western Pennsylvania
2000 Linglestown Road, Harrisburg, PA
Phone: 888.511.2227 (toll-free)
E-mail: mloftus@advantaecccs.org
Web site: www.cccspa.org

Fair Housing Council of the Capital Region, Inc.
2100 North 4th Street, Harrisburg, PA
Phone: 717.238.9540
E-mail: hfhc@comcast.net
Web site: www.pafairhousing.org

Pennsylvania Housing Finance Agency
211 North Front Street, Harrisburg, PA
Phone: 717.780.3907 OR 1.800.342.2397 (toll-free)
E-mail: fredmond@phfa.org
Web site: www.phfa.org

Lawyer Referrals

Cumberland & Perry County Lawyer Referral Services

Phone: 717.238.6715

Web site: www.pabar.org

Dauphin County Bar Association

Phone: 717.232.7536

Web site: www.dcba-pa.org

Mid-Penn Legal Services

Phone: 717.232.0581

Web site: www.midpenn.org

Mortgage Assistance Programs

HEMAP (Homeowners Emergency Mortgage Assistance Program)

Phone: 1.800.822.1174 (toll-free)

Web site: www.phfa.org/consumers/homeowners/hemap.aspx

HERO (Homeowners Equity Recovery Loan Program)

Phone: 1.800.822.1174 (toll-free)

Web site: www.phfa.org/consumers/homeowners/real.aspx

REAL (Refinance to an Affordable Loan Program)

Phone: 1.800.822.1174 (toll-free)

Web site: www.phfa.org/consumers/homeowners/real.aspx

Miscellaneous

Better Business Bureau of Eastern Pennsylvania

Phone: 1.800.455.5100 (toll-free)

Phone: 717.364.3250 (Harrisburg office)

E-mail: info@mybbb.org

Bureau of Consumer Protection

Phone: 717.787.7109

Web site: www.attorneygeneral.gov

Consumer Credit Counseling Service

Phone: 888.511.2227, extension 108 (toll-free)

Web site: www.ccs.org

CONTACT Helpline

Phone: 717.652.4400 (Harrisburg area)

Phone: 717.249.6226 (Carlisle)

Phone: 1.800.932.4616 (toll-free)

Web site: www.contacthelpline.org

Dauphin County Board of Assistance

Phone: 717.787.2324

Dauphin County Housing Authority

Phone: 717.939.9301

Web site: www.dauphinhousing.org

Sheriff's Offices

Cumberland County Sheriff's Office – Sheriff R. Thomas Kline

Phone: 717.240.6390

Web site: www.ccpa.net/directory.asp

Dauphin County Sheriff's Office – Sheriff Jack Lotwick

Phone: 717.780.6590

Web site: www.dauphincounty.org/sheriff

Perry County Sheriff's Office – Sheriff Carl E. Nace

Phone: 717.582.5123

Web site: www.dsap.org/perry.html

Tell Us What You Think

We welcome your feedback, additions or corrections. Please contact Heidi Neuhaus at 717.724.4055, or hneuhaus@uwcr.org with your comments.